

UNOFFICIAL TRANSCRIPT

1 UNITED STATES SECURITIES AND EXCHANGE COMMISSION

2

3 In the Matter of: )

4 ROUNDTABLE ON ) File No. 4-515

5 INTERACTIVE DATA )

6 ADMINISTRATIVE PROCEEDING

7 PAGES: 1 through 86

8 PLACE: Securities and Exchange Commission

9 Auditorium

10 100 F Street, N.E.

11 Washington, D.C.

12 DATE: Tuesday, October 3, 2006

13

14 -- CORRECTED COPY --

15

16 The above-entitled matter came on for hearing, pursuant

17 to notice, at 3:00 p.m.

18

19 BEFORE:

20 CHRISTOPHER COX, Chairman

21 ROEL C. CAMPOS, Commissioner

22 ANNETTE L. NAZARETH, Commissioner

23

24 Diversified Reporting Services, Inc.

25 (202) 467-9200

1 PARTICIPANTS:

2

3 Indra K. Nooyi, Chief Executive Officer

4 PepsiCo, Inc.

5

6 Terry Savage, Personal Finance Columnist

7 Chicago Sun-Times

8

9 Alfred Berkeley, Chairman and Chief Executive Officer

10 Pipeline Trading Systems, LLC

11

12 Robert Blake, Vice President, Product Marketing

13 Rivet software, Inc.

14

15 Timothy Bray, Director of Web Technologies

16 Sun Microsystems, Inc.

17

18 K.J. Martijn Cremers, Assistant Professor of Finance

19 Yale School of Management

20

21 William M. Diefenderfer, III, Vice Chairman

22 enumerate Solutions, Inc.

23

24 (Continued)

25

1 PARTICIPANTS (Continued):

2

3 Darren Duffy, Vice President and Global Head of Production

4 Lipper, Inc.

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6 Frank Hodge, Assistant Professor of Accounting, Lane A. Daley

7 Faculty Fellow

8 University of Washington Business School

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10 Mark Schnitzer, General Manager of MSN Money

11 Microsoft Corporation

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INTERACTIVE DATA ROUNDTABLE:

NEW SOFTWARE TO MAKE BETTER INFORMATION A REALITY

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1 P R O C E E D I N G S

2 CHAIRMAN COX: Thank you very much, all of you, for  
3 being here. Good afternoon. This, as you know, is our  
4 second Interactive Data Roundtable. It is titled, "New  
5 Software to Make Better Information a Reality." We are very,  
6 very excited about today's program.

7 Making interactive data a reality means allowing  
8 average Americans the ability to view exactly the financial  
9 information that they want. That is not to be confused with  
10 reality TV, which allows us to view average Americans  
11 accepting financial awards for doing things they don't want  
12 to do.

13 To help our panelists distinguish between the two,  
14 we are going to focus our discussion today on the best ways  
15 to accelerate the development of user-friendly software. We  
16 are not going to grade anybody on their ability to do the  
17 tango.

18 We are on a campaign to liberate business and  
19 financial information that is now filed at the SEC but is  
20 currently trapped inside dense documents. Today we will  
21 explore the potential of interactive data to let investors  
22 gain quick access to the facts buried deep within an annual  
23 report or a prospectus.

24 With interactive data, as you know, each particular  
25 item, whether it is a number, such as a company's net income,

1 or a narrative, such as a fund manager's investment strategy,  
2 will carry its own unique ID tag. These ID tags will be  
3 recognized by standard software. Investors will gain the  
4 power to find exactly what they are seeking and compare it  
5 with the results from other companies or across time. This  
6 data can be immediately downloaded and shared with other  
7 programs, so there is no more paging through endless  
8 documents, no more retyping the information into another  
9 format in order to make it useful.

10 We are here to talk about the exciting potential of  
11 this technology, to learn from those with hands-on  
12 experience, and to see software demonstrations to help us  
13 envision the possibilities.

14 We could not have picked a more auspicious date to  
15 explore the potential of this new technology. It was 56  
16 years ago today, on October 3rd, 1950, that a team of  
17 researchers at Bell Labs received the first of several  
18 patents for their invention of the transistor. The team at  
19 Bell Labs would go on to share the Nobel Prize. But even  
20 then, I think, few people understood how truly revolutionary  
21 their invention would be. The humble transistor did nothing  
22 less than lead America and the world into the Information Age  
23 and ultimately into today, into the Internet age.

24 We don't make chips here at the SEC and we don't  
25 specialize in applied science, but we do have the

1 opportunity, now that there is a better way, to disclose  
2 business and financial information, to put this new  
3 technology to the service of investors.

4           Therefore, we have taken several important steps  
5 recently to allow interactive data to provide a wealth of new  
6 tools for America's investing public.

7           Eight days ago I announced a series of investments  
8 that we are making here at the Securities and Exchange  
9 Commission to turn interactive data into a reality for  
10 investors. These investments, adding up to \$54 million, will  
11 do the following things:

12           First, to rebuild the SEC's computer database for  
13 company and mutual fund filings into a new system with  
14 interactive data capabilities, we are investing nearly \$50  
15 million;

16           Second, we are going to finish the job of writing  
17 unique computer tags that will describe each number in a  
18 company's financial reports;

19           Third, we are going to put new ID software tools  
20 onto the SEC website. That will allow investors to use the  
21 interactive data that is already submitted by companies, such  
22 as PepsiCo, to the Securities and Exchange Commission. These  
23 companies, as you know, collectively comprise our interactive  
24 data test group.

25           These companies who are already voluntarily filing



1     their various reports within interactive data format, XBRL,  
2     represent more than a trillion dollars in market capital.  
3     The web-based prototypes that we are going to be building  
4     should give investors a sense of the possible, but the real  
5     purpose of putting these tools up on the web is not so that  
6     the SEC can occupy this field, but rather so that we can  
7     stimulate private development in the market of software tools  
8     that tap the potential of interactive data.

9             That is why the software that we develop and the  
10    XBRL tags that we are paying to write will all be open  
11    source.

12            Voluntary private efforts led by XBRL-US have  
13    already created unique ID tags for much of the financial data  
14    that is filed with the Securities and Exchange Commission.  
15    Public companies, the accounting profession, and consumers of  
16    financial information are now working together to finish that  
17    job. Voluntary private efforts will also continue to lead  
18    the way in enhancing the investment analysis tools that will  
19    be available to American investors.

20            We will see some emerging software tools  
21    demonstrated later in our program today.

22            Speaking of things that are ready to be consumed, I  
23    suppose I am not allowed to launch into a description of the  
24    complete product line of PepsiCo, but I would like to say  
25    that we are very fortunate to have with us today the new CEO

1 of one of our interactive data test filers, and particularly  
2 we are fortunate when you consider the timing.

3 If you ask most CEOs whether they would enjoy  
4 receiving a request to visit the Securities and Exchange  
5 Commission during their first week on the job, you might not  
6 get too many positive responses. But our speaker today is as  
7 courageous as she is talented, and we are very grateful that  
8 she has agreed to share her time with us this afternoon.

9 Indra Nooyi has served as CEO of PepsiCo since  
10 October 1st, 2006. Prior to Sunday, she served the company  
11 and its shareholders as PepsiCo's president and CFO, a  
12 position to which she was named in May 2001, when she was  
13 also elected to the company's board of directors. She had  
14 been senior vice president, and CFO, at PepsiCo since  
15 February of 2000. Prior to that, she held a series of senior  
16 positions in corporate strategy and marketing strategy at  
17 PepsiCo, at Motorola, and at Asea Brown Boveri.

18 In addition to the PepsiCo board of directors, she  
19 serves as a member of the board of the Federal Reserve Bank  
20 of New York and of Motorola, the International Rescue  
21 Committee, and the Lincoln Center for the Performing Arts.  
22 She is also a successor fellow of Yale Corporation and on the  
23 advisory board of the Yale School of Management. She also  
24 serves on the board of trustees for the Eisenhower  
25 Fellowships and for the Asia Society, and she is a member of

1 the executive committee of the Trilateral Commission.

2 She holds degrees from Yale University, the Indian  
3 Institute of Management, and Madras Christian College, where,  
4 according to the Wall Street Journal, she was the leader of  
5 an all-female rock band. This suggests that I should  
6 apologize to our audience for sending Ms. Nooyi a speaking  
7 invitation instead of a singing invitation, but I am  
8 confident that you will nonetheless find her remarks to be  
9 highly interesting and informative, so I would like to ask my  
10 fellow Commissioner, our SEC staff, and our guests please to  
11 join me in welcoming Indra Nooyi.

12 (Applause.)

13 MS. NOOYI: Good afternoon and thank you, Chairman  
14 Cox, for your very gracious introduction. I must say I do  
15 appreciate the invitation to come here and share a few  
16 thoughts about XBRL, not anything else, my second day on the  
17 job.

18 I really like to talk about PepsiCo's decision to  
19 participate in this pilot. I have some very specific ideas  
20 I'll share with you in just a moment about our experience,  
21 but I thought it might be helpful to start by explaining why  
22 we were a part of the pilot. It was because PepsiCo always  
23 prides ourself on being first, and being first is very much  
24 part of what we are as a company. As a consumer products  
25 company, we absolutely live to be first to the market with

1 innovative ideas. As a company committed to corporate social  
2 responsibility, we also aspire to be the first amongst  
3 consumers and investors when you think about companies doing  
4 the right things.

5           And, of course, when investors think about  
6 companies that achieve growth while doing that, we want  
7 PepsiCo to be the first on their minds. Maybe it is just  
8 part of our competitive nature, or maybe it is because we  
9 have been called the "number two" soft drink company for such  
10 a long time, which by the way is not accurate, but that is  
11 another story altogether. That water is not good for you,  
12 that bottled water.

13           (Laughter.)

14           MS. NOOYI: You may get sick. Aquafina is the  
15 water you ought to be drinking.

16           But no matter how you look at it, being part of  
17 this pilot is a valid decision to be part of something that  
18 is first. In fact, the U.S. News and World Report ran a  
19 brief story recently entitled, "Does Being First Matter?"  
20 They posed the question to get a better understanding of what  
21 motivates people and organizations to be first.

22           The editors captured it beautifully when they  
23 wrote, "Every new breakthrough we achieve leads us directly  
24 to another new barrier to conquer, whether it is in the arena  
25 of politics or technology. As society advances, we are

1 likely to see more `firsts' that push the envelope."

2           So with that background, let me move to the topic  
3 of the day, XBRL. It is a bit of a mouthful, I must say,  
4 something we believe we can push the envelope with.

5           I was asked to address three questions, and I will  
6 frame my remarks as answers to those three questions. The  
7 questions are as follows:

8           First, why specifically did PepsiCo join the pilot  
9 program?

10           Second, what have our experiences been so far?

11           Third, what advice would we offer on what it would  
12 take to see XBRL realize its full potential?

13           As I mentioned earlier, being a part of firsts is  
14 very important for PepsiCo. But there is more to the story  
15 that ties us to PepsiCo's culture, our very own DNA. So let  
16 me start with why PepsiCo decided to take the SEC up on its  
17 offer to join the XBRL pilot program.

18           The short answer is that we are fanatics for  
19 accurate, timely, transparent, effective financial reporting,  
20 and we believe XBRL is the tool that can support any company  
21 that shares that goal. PepsiCo has always taken pride in  
22 being at the forefront of external financial reporting, and  
23 we consistently strive to be a model of transparency.

24           In 2003 we adopted fair value accounting for  
25 PepsiCo stock options, well ahead of the recent mandatory

1 requirements. We were one of the first companies to file  
2 Sarbanes-Oxley Section 302 certifications, and last quarter,  
3 for the first time, we filed our XBRL compliance financial  
4 statements, 10-Q and earnings release, all on the same day,  
5 14 days ahead of the regulatory deadline, and accurately, I  
6 may add.

7           We believe transparent financial reporting is more  
8 than writing or communicating financial statements in plain  
9 English, as important as that is. Transparent financial  
10 reporting is about making financial information easy in every  
11 sense of the word -- easy to access, easy to use, easy to  
12 compare with other companies, and easy to communicate  
13 business plans and results. And it has to be easy for  
14 everyone, not limited to financial experts or those with deep  
15 pockets who can build their own proprietary database,  
16 engines, and analysis tools.

17           XBRL has the potential to deliver that  
18 functionality, to put transparency and ease together and  
19 within reach of any investor and every user of PepsiCo's  
20 financial information. So in that contest of being accurate,  
21 timely, transparent and effective, you can see why it was  
22 very natural for us to sign up for the pilot program. An  
23 article commenting on our participation on XBRL, the pilot,  
24 described us somewhat cynically as a "goody two-shoes of  
25 governance." Now if I stood here and said, "That hurt," it

1 really wouldn't be an accurate and transparent disclosure.  
2 If you are going to be noticed for something, a "goody two-  
3 shoes of governance" ain't so bad.

4 In fact, I believe corporations like PepsiCo have a  
5 responsibility to set an example and lead, just like we're  
6 doing on XBRL.

7 So what has been our experience so far?

8 This May we agreed to provide XBRL compliant  
9 financial statements for four consecutive quarters, beginning  
10 with our first quarter of this year. In order to make this  
11 happen, we quickly began talking to third party vendors that  
12 could help us better understand the fine details of XBRL and  
13 teach us the language and taxonomies of the XBRL dictionary.

14 What we found for the most part is that the  
15 language of XBRL is very intuitive and relatively inexpensive  
16 to apply to our primary financial statements.

17 After weighing the costs and benefits of  
18 outsourcing the actual XBRL coding of our statements, we made  
19 the decision to outsource the initial coding, followed by  
20 rigorous internal review of the final product.

21 Overall this process has worked very well and it  
22 has required a much smaller investment than we originally  
23 anticipated. The upfront cost of our first XBRL filing was  
24 approximately \$5,000 plus about 60 to 80 total labor hours  
25 including vendor demonstrations and educating various

1 departments within PepsiCo like Investor Relations and Legal.

2           It also included reviewing the accuracy of our  
3 third party vendors' XBRL coding of our financials. Our  
4 second quarter financials required even less cost and effort.  
5 The third party expense dropped from roughly \$5,000 to a few  
6 hundred dollars, and the total labor hours dropped  
7 dramatically as well.

8           This wasn't surprising since much of the learning  
9 curve was already behind us, and our financials had already  
10 been through the initial XBRL coding process.

11           So all in all, our implementation of XBRL has been  
12 relatively painless and inexpensive.

13           Another part of our experience to date is that XBRL  
14 will benefit from educating its constituents. A minute ago I  
15 mentioned that part of PepsiCo's approach to working with  
16 XBRL was enlightening our internal departments. Little did  
17 we know that we had to enlighten the outside world, too.

18           Let me share a story from our investor relations  
19 group.

20           Soon after sending PepsiCo's first XBRL compliant  
21 financial statements to the public, we received a call from a  
22 Wall Street analyst. The analyst was concerned that there  
23 was something very wrong with our SEC filing and wanted to  
24 know why we filed a report that looked like a bunch of, and I  
25 am using his word here, "gibberish." Understandably, this



1     alarmed all our IR people, who are not big fans of gibberish,  
2     and they quickly contacted our financial reporting and legal  
3     teams. Fortunately, there was nothing wrong with the filing.  
4     It was simply that the analyst had never heard of XBRL. They  
5     don't have the required software to view the data correctly  
6     or reuse it within their models more effectively.

7             Unfortunately, it turned out that this analyst was  
8     not alone. In fact, a recent survey by the CFA Institute  
9     revealed that a majority of the analysts who responded are  
10    not yet familiar with XBRL, which demonstrates that being  
11    first has its challenges, making the need for communication  
12    and education a clear part of our early learning.

13            Before moving on to my third and final topic, I  
14    wanted to offer one last observation on our experience so  
15    far. Just as PepsiCo is learning as we go along, third party  
16    providers are doing much the same. Many of them actually  
17    have much more experience with international filers than U.S.  
18    filers, which isn't surprising given the small number of  
19    total companies in the XBRL pilot and the large proportion  
20    from outside the United States.

21            So I have provided some perspective on why PepsiCo  
22    joined the pilot program and what our experience has been so  
23    far. To follow up on a point I made earlier about our  
24    cultural bias about being first, we are equally committed to  
25    see the things we take on succeed. So it is in that spirit

1 of winning that I offer some perspective on what we believe  
2 it would take for XBRL to realize its full potential, if you  
3 will allow me to generalize.

4 First and foremost, we have to create pull for this  
5 product by ensuring it fully meets the needs for those who  
6 will use it, and that means we have got to tap into a lot of  
7 expertise, because at the end of the day we are all  
8 stakeholders in XBRL -- the SEC, the software developers, and  
9 above all the users.

10 I say "users above all" because, first, we have to  
11 fully understand and meet the end needs before we can  
12 successfully build this new data platform. PepsiCo has a lot  
13 of experience with new product launches, and that has taught  
14 us to always listen to our customers first.

15 The consumer products landscape is littered with  
16 failed products that did not meet a customer's needs, and I  
17 would argue the same principle applies here. Important  
18 decisions need to be made. For example, we need to strike  
19 the right balance between standardization of taxonomies  
20 versus customization of taxonomies, and discussion groups can  
21 help guide us by laying out all of the issues on the table.

22 Users will benefit from rigorous definition  
23 standards, because in certain instances customized taxonomies  
24 are being created unnecessarily when U.S. GAAP standards  
25 already exist.

1           In order to have effective reporting taxonomies, we  
2   need preparers and users -- in fact, all stakeholders -- to  
3   weigh in and collaborate. We need the regulators, analysts,  
4   the big and small investors, the auditors, everyone to have a  
5   voice in shaping this debate. If XBRL is going to succeed,  
6   it needs to be flexible enough to survive, but structured  
7   enough to be useful.

8           In that sense, it should be very similar to the  
9   accounting rules that exist today, but hopefully with fewer  
10   subsequent revisions and interpretations. In short, I  
11   envision the need for all stakeholders to get together  
12   through different forums and make important decisions which  
13   will guide the ultimate framework for XBRL.

14           Secondly, the information the pilot needs to  
15   achieve or critical mass that optimizes its usefulness -- the  
16   two dozen or so companies signed up represent various  
17   industries and countries, so right now I can't see a lot of  
18   data extraction performance comparisons that would be  
19   meaningful for the existing pool of pilot participants.

20           We file our primary financial tables tagged with  
21   XBRL, but, like just about every other company in the pilot,  
22   we don't include the footnotes or the MD&A. That is mainly  
23   because we don't think the XBRL taxonomies are mature enough  
24   as yet. As they exist today, the accounting rules are less  
25   prescriptive with respect to the format of the MD&A and

1     footnotes, allowing companies to address these reporting  
2     requirements in a whole variety of ways. This makes pure  
3     benchmarking solely through the use of XBRL coding very  
4     challenging and it shows why stakeholders are going to need  
5     to decide what makes the most sense, given the current  
6     accounting rules and the different ways companies disclose  
7     supplemental information.

8             Clearly, more needs to be done to encourage more  
9     companies to provide their primary information all through  
10    XBRL. As the XBRL dictionaries become more robust, users  
11    will be encouraged to present their company's complete  
12    financial statements, including footnotes and the MD&A.

13            And as that evolution occurs, the ultimate value of  
14    this tool will be realized.

15            Third, we have to gain momentum and move very  
16    quickly. XBRL has been around for more than eight years, and  
17    we need to find ways to accelerate its development and  
18    implementation.

19            Now just by way of context, EDGAR existed for 12  
20    years before it became mandatory. A relatively simple idea  
21    like bar coding took a decade to implement from concept to  
22    execution. So given that Charlie Hoffman, a CPA from Takoma,  
23    Washington, conceived XBRL back in April 1998, by any of  
24    these measures we should view the end state as something that  
25    should be coming much sooner.

1           This requires a great deal of energy, passion, and  
2   commitment, and I applaud you, Chairman Cox, for putting  
3   great quantities of each into this initiative. We need to  
4   inject the same passion into a broad project team and make  
5   this the financial reporting equivalent of landing a man on  
6   the moon in far less time.

7           In the words of those people who landed on the  
8   moon, "Failure is not an option."

9           Finally, I would say that the SEC is very well  
10   positioned to drive XBRL's future. It has the influence, the  
11   "bully pulpit," if you will, to unite all constituents to set  
12   the base and to ensure XBRL's prioritization to realize its  
13   full potential.

14           I don't look to the SEC to define how XBRL is going  
15   to be used. Investors and other users must do that. But  
16   ultimately the SEC may need to set and enforce the rules to  
17   ensure XBRL data accuracy, consistency and comparability. It  
18   may take some arm-twisting but I can't think of any better  
19   catalyst than the SEC to get us going.

20           It is worth noting that the China Securities  
21   Regulatory Commission has mandated XBRL filings for public  
22   companies. There are currently over 10,000 company reports  
23   available in XBRL format from the Shanghai stock exchange.  
24   In Europe there are over 20,000 company reports available in  
25   XBRL format from the Spanish stock exchange. And looking

1 forward just a little, the Dutch government in the  
2 Netherlands will move all enterprise statutory reporting  
3 -- yes, I said all enterprise statutory reporting -- to XBRL.  
4 If China, Spain, and the Netherlands can do it, so can we.

5           No doubt there is a lot of work ahead of us, but I  
6 am confident that if we continue to work together, identify  
7 the core issues, and make the right decisions, we can  
8 continue to build momentum around the market initiative and  
9 the SEC pilot program. XBRL will continue to grow and we  
10 will achieve the important level of critical mass to make  
11 XBRL both pervasive and sustainable.

12           Let me close by saying it was truly a pleasure to  
13 be invited to speak with all of you this afternoon. My  
14 reporting team from PepsiCola -- Peter Bridgman, my  
15 controller, Marie Gallagher, the assistant controller, and  
16 David DeLott, my technical specialist -- are here with me, as  
17 is our general counsel, Larry Thompson, who is no stranger to  
18 the SEC, but only in a good light, I may add.

19           I invite each of you to reach out to any of them  
20 over the coming weeks. They will be pleased to help you,  
21 talk with you, and share all of our experiences in XBRL with  
22 you. As I close today, I'll do so with another quote about  
23 firsts from the U.S. News and World Report article I  
24 mentioned. Peter Diamandis, an entrepreneur who also  
25 encourages more firsts, told the magazine, "Every time

1 someone pulls off a first people subconsciously realize that  
2 that means there will be a better world for all of us. It  
3 gives us hope because our entire future is filled with  
4 firsts."

5 Let me pledge PepsiCo's ongoing commitment to make  
6 XBRL a successful first and pledge my full support to our  
7 stakeholders and to Chairman Cox for this very important  
8 initiative. Thank you.

9 (Applause.)

10 CHAIRMAN COX: Thank you very much, Indra, for  
11 those exceptional comments, and I want you to know that I  
12 couldn't agree with you more strongly that failure is not an  
13 option. Your talk may have been one small step for PepsiCo,  
14 but it was one giant leap for interactive data, so we  
15 strongly appreciate your being here today.

16 (Applause.)

17 CHAIRMAN COX: We now turn from the CEO of PepsiCo  
18 to a former member of the board of McDonald's Corporation, as  
19 I continue to avoid product placements in my remarks -- well,  
20 that's good. That's good. I assure you that the food and  
21 beverage theme is purely coincidental.

22 It is also coincidental and a lucky coincidence for  
23 all of us at the SEC that we were able to hear from Indra  
24 Nooyi, the most powerful woman in business according to  
25 Fortune Magazine and the first woman to lead her company.

1 Just before I turn the microphone over to today's moderator,  
2 who was the first female trader at the Chicago Board Options  
3 Exchange, now she is a syndicated personal finance columnist  
4 at the Chicago Sun-Times.

5 Terry Savage has won numerous awards, including the  
6 National Press Club Award for outstanding consumer  
7 journalism, the outstanding personal finance columnist award  
8 given by the Medill School of Journalism at Northwestern  
9 University, and two Emmy awards for her TV commentary.

10 She serves on the board of directors of the Chicago  
11 Mercantile Exchange, the Executives' Club of Chicago, Junior  
12 Achievement of Illinois, and the Northwestern Memorial  
13 Hospital Foundation. She is a Phi Beta Kappa graduate of the  
14 University of Michigan, where she won a Woodrow Wilson  
15 Fellowship in American history and economics.

16 Terry, welcome, and thank you for joining us today.  
17 You have the floor.

18 MS. SAVAGE: Thank you. Thank you, Chairman Cox.

19 I consider this a great honor. We are sitting here  
20 with a panel of true experts in a field that is likely to  
21 change investments for all investors large and small. It is  
22 a very exciting juncture, and I compliment you, the SEC and  
23 Chairman Cox, on putting the weight of the agency behind  
24 this.

25 So gentlemen of my panel, we now have the task --



1 the financial equivalent of landing a man on the moon. We  
2 are going to do that in the next hour and a half.

3           What I would like to do is we are going to start  
4 with some really interesting demonstrations of new-emerging  
5 technology to sort of set the scene. I may be the least  
6 informed, although I have been doing a lot of homework and  
7 you have all been very helpful. I walked out into the  
8 audience before we started and realized that so many of you  
9 are participating in this from years of experience and  
10 development for XBRL, but let me just at least set a few  
11 ground rules, background, and then those who are new, as I  
12 have been, will not maybe feel left out.

13           XBRL is the buzzword of the day, but maybe we are  
14 going to call it "interactive data" today, just to keep  
15 things friendly. I understand that Chairman Cox has called  
16 plain English the new official language of the SEC, which I  
17 heartily applaud, and it is the only language I understand.

18           "XBRL," the open standard software, meaning that  
19 everyone who wants to can use it without paying royalties.  
20 Another big word I learned this week, "taxonomy" -- that does  
21 not happen in the everyday life of a journalist, but now I  
22 can write about it. This dictionary of common language, the  
23 "tags," tags that all companies will use that will allow an  
24 investor to compare one company to another, a standard tag.  
25 For big things we have all heard of in accounting -- net

1 income, current assets, and perhaps some other tags that will  
2 be developed by companies, and I think it is a big commitment  
3 for the SEC to have announced that it is putting its  
4 financial weight behind the conclusion that the final  
5 development of this taxonomy that will make it possible for  
6 investors to use and for companies to report their data.

7           There's been some talk today about industry  
8 categories. The tags will be different perhaps for companies  
9 in financial services or industrial companies, and as you  
10 know, there will be extensions of the basic tags, since  
11 companies have some flexibility in reporting under GAAP.  
12 There may be some terms, or initially, anyway, that are not  
13 included in the standard dictionary, so we are hoping that  
14 these people who develop software will be able to flag and  
15 use those terms.

16           As the standard dictionary grows, the need for  
17 extensions, these ad hoc definitions, will shrink and the new  
18 tags or the extensions will become tags as they are submitted  
19 to the XBRL-US consortium to become accepted as standard  
20 language.

21           And where does it all come together? It comes  
22 together into the EDGAR database, which is all the financial  
23 information that publicly traded companies report, which I  
24 guess now will no longer be a series of forms requiring  
25 investors to understand which form they want and search out

1 the data and try and compare, whether they be individuals or  
2 fund managers or analysts. Suddenly there will be one  
3 database.

4           So you retired EDGAR, sort of, but there was  
5 general consensus among the panel that it was such a great  
6 name and so many people know the name that maybe we have to  
7 rename it. And I thought there should be a contest. Someone  
8 already came up with EDGAR-X, so perhaps that is what it will  
9 be in the future.

10           Now we are at today's program, a roundtable  
11 designed to explore a really exciting technology with a huge  
12 potential for investors. Let us start with some  
13 demonstrations. This is a very chicken-and-the-egg situation  
14 here, because companies, as you see, are starting to report,  
15 running to analysts and users who cannot read XBRL because  
16 they need readers. Of course, that will be up now as part of  
17 this SEC commitment -- readers on the website so people can  
18 use this data.

19           And so what comes first, the demand, the supply of  
20 data, or the tools to make them interact? And that is what  
21 we are going to start with today.

22           Let me introduce to you Rob Blake, of Rivet  
23 Software, and he is about to demonstrate some tools, both  
24 from his companies and others, that give us an idea of the  
25 kind of thing being developed. Rivet makes software to both

1 create and analyze interactive data documents, and Rob is a  
2 veteran of Microsoft, where he led the company's interactive  
3 data initiatives. He has many years of experience in  
4 financial reporting, and this is his baby. So Rob, you have  
5 got a number of demonstrations, right?

6 MR. BLAKE: I do. Thank you very much.

7 MS. SAVAGE: Can you all see the monitors, or does  
8 the lighting need to come down just a little bit for this?  
9 I'll let you technology people do that.

10 MR. BLAKE: It is exciting to have the chance to  
11 put a little muscle behind this interactive data platform in  
12 the sense of giving you insight into how the commercial  
13 software space has responded around this call to action.  
14 When first presented with the opportunity to speak, I was  
15 told that I would get to show a series of applications, and,  
16 of course, being a demo guy, I went "This is great -- can I  
17 have like four or five that I get to show?" And they said,  
18 "Yes, you can," and I said, "Great -- that means probably 10  
19 minutes each application, so I get about 40 minutes of the  
20 meeting time." They said, "Unfortunately, no. We had  
21 something a little bit smaller in mind." I said, "How  
22 small?" And they said, "Oh, about 12 minutes."

23 So what I have to do in 12 minutes is show you four  
24 applications, to give you a feel -- it is kind of a sampling  
25 of where the community is going in supporting XBRL.

1           Now 12 minutes does not sound like a lot of time,  
2   but I thought about in perspective of this summer, the  
3   Nathan's hot dog eating contest. The gentleman that won ate  
4   53, just under 54, hot dogs in 12 minutes, so if he can eat  
5   54 hot dogs, I can show you guys four applications that  
6   deliver on the power of this revelation called interactive  
7   data.

8           So with that, let's go in and get started. Terry,  
9   I appreciate you giving me and everyone an overview of  
10  "taxonomies," because it is one of the key words that helps  
11  enable interactive data to happen. What we are going to be  
12  focused on is software that uses instance documents, or the  
13  financial results of a company in XBRL or interactive data  
14  format for analysis purposes.

15           How a company does that is they use a taxonomy to  
16  mark up or tag their data. So those are the two kinds of  
17  things you can touch within XBRL.

18           To get us started, I think the word "gibberish" was  
19  used before, so here is a little gibberish on your screen.  
20  This is what XBRL looks like, if you haven't seen this  
21  before. This is PepsiCo's filing that was furnished to the  
22  EDGAR system. What my goal in the next 10 minutes is -- to  
23  show you how software doesn't make us need to look at this.  
24  We want to use the power of what is in this data to drive our  
25  analytic and reporting capabilities of not too far off into

1 tomorrow.

2           So we are not going to really spend a whole lot of  
3 time in Internet Explorer. Let's instead take a look at the  
4 Hitachi application, Zimba. Zimba is an Excel-based add-in  
5 that is going to let us analyze XBRL instance documents, and  
6 I can do that one of two ways.

7           The first way is I can access information that I  
8 have downloaded and stored on my local PC. This could be  
9 information pulled off the EDGAR site. But let's go ahead  
10 and take a look at that gibberish of PepsiCo's filing that we  
11 saw, but make it a little more visually stimulating, and that  
12 is using the Hitachi product.

13           So I am opening up the PepsiCo filing, and the goal  
14 is to bring the data into Excel so that I can use this, and  
15 what I can do is this kind of by default opens up all of the  
16 financial information that is in the PepsiCo filing, and as  
17 an analyst I might want to look at just a single piece of  
18 this. The Hitachi product lets me navigate through a series  
19 of options where I can say, "No, I really don't want to look  
20 at the balance sheet. I would like to get straight at the  
21 statement of income," so using the software to go ahead and  
22 help me look at PepsiCo's income statement, and let me get a  
23 little more information on the screen.

24           But the deal is it is all in Excel. It started  
25 life, if you will, on that gibberish format, but now it is

1     usable if I wanted to do my own graphs or charts or pivot  
2     tables in Excel I can do that.

3             So a little interaction, local files pulled off my  
4     computer, but please tell me there is a better way to do  
5     this, and using the Hitachi product let's look at a second  
6     way that we can bring data in to the comforts of Excel, and  
7     that is the SEC has been kind enough to set up an RSS, a  
8     Really Simple Syndication feed, that makes information  
9     available to the desktop and when something new happens, or  
10    using the Hitachi product, I can query that list of filers,  
11    which is up to the minute on when filings happen, and I can  
12    open any of the filings from this interface.

13            Let's take the most recent one, which ADP filed  
14    just a few days ago, and the Hitachi product not only will  
15    pull that straight from the SEC EDGAR system using the  
16    information in this RSS feed, but I can also put a little bit  
17    of lipstick on this data, if you will, and that is I can set  
18    up what Hitachi calls a style sheet, which provides some  
19    additional formatting and colors and fonts and other items to  
20    this data. So I am going to say, "Yes, I would like to use  
21    that," and so when I open this file the first time and it was  
22    using the presentation information and the underlying  
23    taxonomies, but now the second way I have opened it is I have  
24    been able to interact and provide a little bit of my own  
25    customizations to it, but it is the same underlying

1 information.

2           We have pulled together financial information from  
3 various pieces of the spreadsheet, but the point is it is  
4 right within the comfort of Excel, so the Hitachi product  
5 enables us to take that first step and start working with  
6 interactive data, where most of us are used to, which is in  
7 Excel.

8           Let's move to the second application to spend a few  
9 minutes on, and that is a stand-alone product from a  
10 company. SavaNet is the company name -- and it is their XBRL  
11 reader. This application, too, wants to provide an analytic  
12 framework. This case is targeted at investment and analyst  
13 companies and users that need to make evaluations and  
14 decision on financial and nonfinancial data. So in its own  
15 interface we can go ahead and query a list of XBRL and other  
16 relevant information that they have pulled together.

17           Why don't we get started taking a look at Dell, so  
18 this listing of companies is a listing on the SavaNet  
19 website. Very similar to the last process where I downloaded  
20 information from the Internet. I am downloading the Dell  
21 financial information, and what this SavaNet XBRL reader will  
22 do is pre-build a number of analytic templates that I might  
23 want to interact with.

24           What we start seeing here is that realization of  
25 when we say "XBRL interactive data," it is not just the



1 financial statements. It is other non-financial information  
2 that we can bring into a single interface.

3 In this case, right on the starting page of the  
4 SavaNet reader we see non-financial information such as stock  
5 price blended with core financial information from Dell's  
6 filings.

7 There's a number of tabs that we can interact with  
8 to provide various report information. This is their  
9 traditional filing of that information. And when we move to  
10 the financials tab, here's the detailed view similar to what  
11 we saw in Hitachi of the underlying Dell information in an  
12 interactive format.

13 But I'll tell you what, as in every one of my demos  
14 I'd like to step this up a little bit. You know, there's so  
15 much focus on the financial data. But let's take a look at  
16 the nonfinancial information. I've actually got Mark  
17 Schnitzer here on the panel with me. I've given him a 10-Q  
18 from a company in the U.S. Mark, if you could help me out  
19 here. He's got a printed copy of a 10-Q. So, Mark, why  
20 don't you go ahead and let's time this. Let's have a little  
21 a competition. Can you flip through that Q and find, oh, I  
22 don't know, why don't we go ahead and say employee stock  
23 ownership plan? Can you flip through that Q, and let me know  
24 when you're getting close.

25 Well, remember I only have 12 minutes, so we're

1 going to let him simmer on that for a little bit. Let me  
2 show you how we can do it with interactive data, and that is  
3 here by just selecting employee stock option. Hey, Mark, did  
4 you find it yet? No. Okay. We'll come back to Mark in a  
5 few more minutes. But the reality is, is that interactive  
6 data, it's the notes and the nondisclosure -- or the  
7 disclosure information, MD&A, is equally as not only  
8 important but accessible on interactive data format, as we  
9 can see here.

10 Mark, I tell you what. I know you're a busy guy.  
11 Oh, did you -- hey, that's not too bad. But you're analyst  
12 by trade in your background, aren't you? So you might have a  
13 leg up on this. The point is, interactive data really  
14 touches and can put information of all types in a format that  
15 applications can leverage.

16 Let's make this a little interesting in the SavaNet  
17 viewer. I'm going to open up a second a filing, set of  
18 interactive data, and let's pick GM. And we're going to look  
19 at two things real fast. And so once again, I'll access that  
20 information over the Internet, have it brought down into the  
21 SavaNet XBRL reader. And what we want to focus on here on  
22 the General Motors side of things is tying in with my Dell  
23 conversation about their notes to the financials and how  
24 easily we could get at that.

25 When we think about numbers in the notes to the

1     financials, let's take a look at something like post-  
2     employment benefit plan, where the companies disclose a lot  
3     of information, sometimes almost as much as the core  
4     financials, just on one piece of data. Using the SavaNet  
5     product, I can quickly get at that detailed information  
6     that's in the notes to the financials, look at it in a  
7     statement format, and even be able to compare it and chart it  
8     and graph it if I needed to.

9             Since I've got two documents loaded in here, the  
10    final thing we'll look at the SavaNet reader is let's talk  
11    comparison. I've told the application to load up two  
12    different financial statements. And since I've got Dell and  
13    General Motors both loaded locally, using the concept of a  
14    taxonomy, I can now start pulling out very comparable  
15    financial information such as evaluation, financial ratios  
16    and other employee benefit information that might be  
17    important to me, the analyst or investor.

18            So the things that I'm navigating through here, not  
19    only can I set them up, but the system can also deliver  
20    template-oriented analytic activities right here within the  
21    viewer, with little to no understanding of XBRL. Notice that  
22    use of XBRL is really the first time I've said those letters.  
23    This just looks like regular data coming in. And we'll talk  
24    a little bit more about that, because at the end of the day,  
25    it really is.

1                   So our second application was the SavaNet XBRL  
2 reader. Let's move on to the third application. And that  
3 application is from EDGAR Online in their I-Metrix  
4 application.

5                   The EDGAR Online I-Metrix application is a web-  
6 based, using Excel on the front end to enable analytic things  
7 to happen around interactive data, and what I've done is  
8 using I-Metrix, I went up and used a template that they have  
9 that is going to provide not only information about my  
10 organization, which in this case I'm going to be Wachovia  
11 Bank, but I'm also going to look at some peer analysis across  
12 five different banks.

13                  So now we're stepping up kind of what I'll call the  
14 volume of analytic data, and that plays right into the hands  
15 of EDGAR Online. They have eight years worth of interactive  
16 financial information that helps drive what you're seeing  
17 here. And if I use one of the tabs, it's actually the most  
18 recent financial information for the current fiscal year.  
19 Let me make this a little more readable for you.

20                  What we can do is, I mean, it's a lot of data, but  
21 even looking at just the spreadsheet cells, we can get a feel  
22 for some of the competitive levels within the industry here,  
23 Wachovia versus their peers. And that is, you know, the bank  
24 reports various income-oriented opportunities. And here in  
25 the first column we see Wachovia's, and the things that don't

1 have any data are areas they don't report any activity in.

2           So, from a peer level, we immediately can start  
3 gaining insight using the EDGAR Online I-Metrix product,  
4 without -- I'll even call it without even doing any heavy  
5 lifting, we can start seeing some industry trends right from  
6 this first set of information.

7           But, of course, when we talk about peer analysis,  
8 once we've got this rich data into Excel, wouldn't it be nice  
9 if we could say, hey, you know what I'd like to see across my  
10 peers a threshold percentage of, oh, I don't know, maybe 10  
11 percent. Go ahead and highlight for me within all these  
12 metrics I have on the screen, the things that I'm either  
13 higher than or lower than my peers that I have set up. So I  
14 simply change the ratio that I was using and interact with  
15 this information within Excel, and can start gaining  
16 additional insight, and we can up this and continue to see  
17 what fell off and what changed.

18           But the thing is, it's in Excel. I can continue  
19 analyzing or doing things with this information, but the I-  
20 Metrix product provides me a starting point to download and  
21 templatize that data.

22           The last part of my demonstrations will move into  
23 what I'll call a little more free form aspect of interactive  
24 data. And so I'm going to close out of this template, and  
25 I'm going to stay inside of Excel, and let's look at I-

1 Metrix's ability to bring down just some fundamental data.  
2 Once again, using the power of the Internet and web services,  
3 we're able to create a new query of information.

4           And let's go ahead and say we'd like to see  
5 PepsiCo. And as an ex-Microsoft guy, I'd like to see some  
6 Microsoft information. So I'm just entering two ticker  
7 symbols here on this Wizard screen. And what it's going to  
8 do is eventually run this query, bring back the information  
9 right into Excel. So I've answered just a couple of quick  
10 questions, a few mouse clicks, and what I-Metrix will do for  
11 us is take that information, bring it back into Excel, and as  
12 you'll see, not just focused on the core financial data, but  
13 because it is interactive under the covers, will also be able  
14 to build for me a set of ratios and other information.

15           So, now that we've got the information back in  
16 Excel, here's Microsoft and PepsiCo, and their first set of  
17 data here is all the financial data, but if I go ahead and  
18 scroll down the screen just a little bit, we'll see that  
19 there's also been some pre-calculated ratios and other  
20 nonfinancial information, if you will, that's been driven by  
21 -- here's some stock trading information as well.

22           So this whole laundry list of financial information  
23 delivered to me into Excel with no more than a few mouse  
24 clicks. The third of our four demos, the EDGAR Online I-  
25 Metrix product.

1           I'll wrap up my presentations by showing you the  
2   Rivert Software. It's a Crossfire Analyst product. This is  
3   a product that focuses on enabling XBRL and interactive data  
4   usage within Excel as well. So, three of the applications  
5   today use Microsoft Excel at the front end.

6           The Crossfire product is an application designed to  
7   let organizations collect large amounts of interactive data  
8   and then report and interact with that information. So what  
9   we're going to do here to wrap up the presentation is to  
10  build a report where someone might want to leverage those --  
11  again, Terry started off talking about taxonomies.

12          We'd like to hit the SEC filings and use the U.S.  
13  GAAP standard taxonomy tags that have been used in the  
14  filings. And I'm kind of a revenue guy, so I'm navigating  
15  through the list of available accounting concepts that I can  
16  use. And let's say that I'd like to use or take a look at  
17  all the revenue items that have been filed into the SEC. So  
18  I've dragged and dropped that into the grid to start building  
19  some presentation information.

20          And, Chairman Cox, let's say you're kind of a big  
21  selling, general, and administrative expense guy. I'm not  
22  sure that's really you or if I've caught you at a good time  
23  or if there's another accounting concept you'd like to have  
24  me play around with. A little selling, general,  
25  administrative. So, let's go ahead and get selling, general,

1 and administrative expenses in here. We'll build that as  
2 part of our analytic model.

3 And we'll use the power of the taxonomy to build  
4 this report, so there's all the items that we're going to  
5 have doing selling and marketing. And let's say that we'd  
6 like to see a side-by-side comparison of GE is one of our  
7 filers in the program. Let's do GE in a column. And I tell  
8 you what, let's do PepsiCo. I'm doing it manually just to  
9 save a little time, so it would come dynamically as well. So  
10 I'm just setting this up in the format that I'd like. And I  
11 tell you what, let's grab Adobe. So we've got three of the  
12 filers that have participated.

13 To set up a report like this in the Crossfire  
14 product, we're using the various attributes that have been  
15 submitted into the SEC. In this case, it's a list of  
16 entities. And here's just a flat list of all the filers that  
17 have given information in the new format.

18 So, to get that first column to be GE, it's a drag  
19 and a drop in that column. Let's get PepsiCo in column C.  
20 I'm just using one of the pieces of the XBRL instance  
21 documents to do this. And let's get Adobe here. So we've  
22 set up quickly a side-by-side analytic comparison of three  
23 filers. The only thing we're missing is a time period. So  
24 we're going to do that by applying a calendar on these  
25 columns, and I'll drag and drop into all three of those.



1           Let's go tell Crossfire to get that information for  
2 us, so no more sneaker shuffle. I don't have to have Mark  
3 look at the Q. I can interact with this information, the  
4 core building blocks of that instance document to set up  
5 things that I wish as the analyst or investor here in  
6 Crossfire.

7           So, what my hope was today was to just give you a  
8 sample of these four applications that are using interactive  
9 data today to drive what I think is some pretty revolutionary  
10 functionality. But the good news is, this is just the start,  
11 and there's lots more support out there, so, with that, I'll  
12 turn it over to some additional demos we're going to do, and  
13 Terry, back to you.

14           (Applause.)

15           MS. SAVAGE: I'm actually sort of speechless. That  
16 was amazing. It's amazing what it can do, and it's amazing  
17 how easy you made it seem. We're going to take a little  
18 quick break while Bill goes up and changes the computer.

19           So let me also mention a couple of things. First  
20 of all, if you -- we didn't plan for audience questions, but  
21 if at some point you have a really burning question, just  
22 drop a note up here right next to my Pepsi bottle. And for  
23 the panel as we get into talking about some of these  
24 applications, just wave to me or turn your name tag sideways.

25           Can you just imagine, while we set this up --

1     you're going to meet Mark Schnitzer. I think I'll just  
2     introduce him right now. You are the leader of the new  
3     person on the job today, because this is your first day as  
4     head of MSN Money, which is the great consumer website. And  
5     can you imagine that individuals as well as securities  
6     analysts as well as SEC people looking for strange things  
7     would be able to take this kind of software and use it?

8             Just push that button, the red button. That's it.

9             MR. SCHNITZER: The power of Rob's demonstration  
10    that he just went through is incredible, because it looked so  
11    simple to go through and access that data. And I used to be  
12    an analyst and investment banker, and it would take hours to  
13    do some of the work that you can now do with a click of the  
14    button in loading data into an analysis like this.

15            The labor savings is going to be tremendous, and  
16    that's going to lead for both for the retail investor and for  
17    the institutional investor, dramatic changes when they're  
18    working with interactive data compared to the world today. A  
19    lot more time spent analyzing the data and forming insights,  
20    rather than loading data into spreadsheets.

21            MS. SAVAGE: Now you're going to be dealing with  
22    the psyche of the individual investor. I guess I'm going to  
23    focus on that for just a minute first while we're getting set  
24    up.

25            Individual investors have been spoon fed research

1 or reports or told what to do by people who have vested  
2 interest in telling them what to do. It would be great if  
3 you had been, you know, at MSN Money for a year and saw  
4 exactly what people do with the site, but I know you have  
5 researched this kind of thing thoroughly, and you've  
6 commented on other online websites. Do you foresee these  
7 kinds of tools being available online retail and people  
8 actually using them?

9 MR. SCHNITZER: Very much so. And just going back  
10 over the years, I had originally created a website called  
11 Free EDGAR, providing access to the EDGAR filings. And it's  
12 very exciting to see that we're on the verge of having  
13 accessible to retail investors powerful analytical  
14 applications that enable the retail investor to be able,  
15 without a Harvard MBA, be able to go in and really work with  
16 the financial data being provided in its detail and its  
17 granularity by the companies.

18 MS. SAVAGE: This is a really exciting thing. I'm  
19 going to introduce -- let me actually introduce our panelists  
20 as we get set -- are you ready up there yet?

21 MR. DIEFENDERFER: When you're ready.

22 MS. SAVAGE: Then let me have you go ahead. We'll  
23 go on with another demonstration. Bill Diefenderfer is vice  
24 chairman and co-founder of a company called enumerate  
25 Solutions. They create software for companies to display

1     their financial results for investors.

2                 Now one of the big things that people are going to  
3     be intrigued about searching is some information that the SEC  
4     has just required be presented a lot more completely, and  
5     that is on the subject of executive compensation. You all  
6     know about the new rules that the SEC recently enacted to  
7     ensure that investors receive a clear picture of total  
8     compensation, all the various components that go into  
9     compensation for the top managers of public companies.

10                Now, of course, you didn't have XBRL to do this  
11     with, but you've already done some very intensive detective  
12     work based on the information that's coming in. Right, Bill?

13                MR. DIEFENDERFER: Yes, I think so. I would like  
14     to preface the demonstration with a little self-disclosure.  
15     If there was a test here given about who are the most  
16     technologically savvy people, I would be at the very bottom.

17                But I have had in my career a need to use numbers  
18     and to be able to manipulate them, to calculate these sorts  
19     of activities. Chief Counsel of the Senate Tax Committee,  
20     1986, Director of OMB under the first Bush. A lot of big  
21     numbers, a lot of big questions. And I had more time and  
22     money than sense and decided to found a software company, a  
23     small software company, which I like to say is getting  
24     smaller every day.

25                But we were asked to present what we're doing here.

1 But I want to lay a background for you. Our vision, when we  
2 started the company in 1998, was a numbers web. It wasn't  
3 just XBRL. It was any XML-based language, which I will  
4 discuss in a second.

5           It's an idea that men, women and children can go  
6 out to the web and pull numbers down, put them into a display  
7 that they understand and manipulate them easily. Not -- you  
8 don't have to be an Excel spreadsheet wizard. You don't have  
9 to be a Wall Street analyst wizard to manipulate the numbers.  
10 That's where we see the future.

11           The future has been a long time in coming. But the  
12 SEC's commitment to XBRL is a first massive step, as  
13 financial numbers are very important to the nation and to a  
14 lot of people, and if that takes hold, this numbers web will  
15 begin to form. This will be the tip of the spear, so to  
16 speak.

17           The basis for this standard is XML, it's extensible  
18 mark-up language. Most people don't know what it means. I'm  
19 not sure I know a hundred percent what it means. But it is -  
20 -

21           MS. SAVAGE: Well, we've got Tim Bray, the co-  
22 founder, to come and explain it later.

23           MR. DIEFENDERFER: And in fact, I was about to say  
24 --

25           MS. SAVAGE: Sorry.

1                   MR. DIEFENDERFER: You know, right here is the --  
2 I'm reluctant to say co-father, because sometimes people  
3 think, well, who's the mother? But it is -- Tim was, or is,  
4 a father of XML. What is XML? It's a standard. I view it  
5 like a parent who has many well trained children. Today  
6 we're talking about extensible business reporting language,  
7 XBRL. That is a parent of XML. Our language is a parent of  
8 XML, RDL. There are many other -- or I mean is a child.

9                   There are many other children. The chemical  
10 industry has one. The real estate industry has one. And all  
11 these languages, because they listen to what the parent has  
12 said in terms of how they conduct themselves, can readily  
13 communicate one with the other.

14                  So, if this XBRL takes off at the SEC, you're going  
15 to have financial information, one would hope, at some time  
16 the Department of Education would say, well, we're going to  
17 put our data in an XML format also. And you'll be able to  
18 drag data from there. And sometimes it's interesting for  
19 financial data.

20                  I am the audit committee chairman of two New York  
21 Stock Exchange companies, which makes me a little hesitant to  
22 come to the SEC also. And when I served as the compensation  
23 committee for one of these -- chairman of one of these  
24 companies, I saw what could be done.

25                  If you're the compensation committee chairman for a

1     \$20 billion company, every year you decide what you're going  
2     to pay your CEO, and it's not an easy experience. You are  
3     inundated with data. One of the data is, that you're looking  
4     at as well, who are the company's peers? There may be 12 or  
5     13 companies who employ people with the skills that your CEO  
6     has, that you're bidding against for that talent. What are  
7     they paying?

8             And what you see on the screen right now is what I  
9     would get -- is it up on the big screen? It's on the  
10    monitors here. Okay. You can see it? Good.

11            What you're seeing on the screen now is what I took  
12    from Excel spreadsheets and put into our language. And this  
13    lists 13 companies or 14 companies, I forget how many now.  
14    This data is from 2003. And it tells what the compensation  
15    was, total compensation, for these 13 or 14 CEOs.

16            Now it's interesting data, but it's almost useless  
17    data if this is where you're going to stop. You can see the  
18    highest bar. If the mouse goes over that bar, it'll show  
19    that that man made \$58 million that year. And if you go to  
20    the far left, that man made \$19 million that year. Well,  
21    it's all very interesting, and we all wish we could make that  
22    kind of money, but it only becomes relevant when you can  
23    apply other data to it.

24            For example, you might want to know what the five-  
25    year compound annual growth rate was for that company. That

1 tells you what they've returned to their stockholders. With  
2 a point and a click, this data having been converted to an  
3 XML language, it immediately interacts. And if you're a  
4 compensation committee chairman and you're not a  
5 technological expert or you're not an Excel spreadsheet  
6 expert, it makes the data relevant.

7           You can look at the first man in line. He got \$20  
8 million. He returned annual, five-year annual, 26 percent  
9 return to his shareholders. The shareholders were very, very  
10 happen people. You can go further down the line and see the  
11 man who made \$58 million returned 9 percent.

12           Now these are just our examples. There are many  
13 other things you would go through if you were a compensation  
14 committee chairman to determine how you would set the salary.  
15 But these are the kinds of things that you would want to  
16 consider.

17           And setting the data up in this XML-based format  
18 -- ours is RDL -- XBRL -- any of the XML languages, are  
19 pretty much compatible -- you can put this in a way that  
20 somebody who understands the importance of the numbers, the  
21 underlying numbers, can do these calculations for himself.  
22 He doesn't have to know how to type in calculations to a  
23 spreadsheet.

24           Now let me give you a real quick run-through of  
25 examples of this. What you've seen here is an example of how



1    you begin to analyze whether your CEO is being paid fairly  
2    compared to other CEOs. But the power of XML-based languages  
3    is much bigger than that. Let's say you don't like this kind  
4    of chart type. And so you would go, on our product, for  
5    example, go to chart type and say I want to see it in stacked  
6    area. Automatically converted.

7               Now, if you're good in Excel, you can go to the  
8    wizard and change the charts and the graphs quite easily.  
9    This becomes a point and click exercise. It takes the  
10   mystery out of these sorts of activities. Let's say you  
11   wanted to look at in a line chart. There they are in line  
12   charts. Easily done. Point and click.

13              Now let's go on to demonstrate under calculate,  
14   calculations. Now let me give you a little history here.  
15   When I was deputy director of the Office of Management and  
16   Budget, the Defense Department would come in and say, we want  
17   \$200 billion this year, Bill. And I knew the questions to  
18   ask them. One of the questions was, okay. I want to know  
19   what that is compared to World War II spending for defense,  
20   Vietnam era, Korea era for defense, and I want it adjusted  
21   for inflation, so it's meaningful. If you held a gun to my  
22   head and said, Bill, adjust this number for inflation and  
23   I'll give you two days, but then I'm going to shoot you, I'd  
24   say shoot me now.

25              I know the value of numbers adjusted for inflation,

1 but I didn't have the ability. Numbers presented in XML  
2 format, you can standardize the calculations. That is a  
3 formula. It's a known formula. You can make it available,  
4 and it becomes a point and click exercise for the CEO, for  
5 the person in charge of the budgets, for the SEC people  
6 looking at numbers, to do the calculations automatically,  
7 because they are known formulas. You don't have to  
8 understand the math or know the math.

9           Now, for example, we're going to click on  
10 calculate, and I'm going to ask Dave, who is the technical  
11 wizard, by the way, I'm interested in what's the median on  
12 this? He hits median. He's already done it. The column to  
13 my far left, I guess your far left, immediately puts the  
14 median in there. What's the average? You go up to average.  
15 And these are just some of the formulas you can put in. You  
16 can put in almost any formulas. Immediately creates the  
17 average and shows it.

18           Let's say we want to make this chart a little bit  
19 more eye friendly. Sort the data ascending. It does it.  
20 These kinds of things can be done on the fly once you have  
21 your data in an XML format. You don't have to go back and  
22 forth to Excel. I mean, I think the near future of this is  
23 that there will be a lot of Excel used. But if you think  
24 about it, XML is taking financial numbers now presented  
25 either in paper or Excel spreadsheets and really turning them

1     into gold, making them very useful. Sending them back to  
2     Excel is a short-term solution, but not too many folks would  
3     say turning gold into lead in the long run makes a whole lot  
4     of sense. In the short run, it absolutely makes a whole lot  
5     of sense.

6             I think that is enough of a demonstration of what  
7     this software can do, and a lot of other software will be  
8     able to do this too. We're not unique. It's the underlying  
9     power of XML. And to make it useful to the public, to the  
10    general public, to the retail investor, it has to come down,  
11    I believe, to this level. The Wall Street guys can operate  
12    at a higher level, as they always do, and they will become  
13    more efficient.

14            And by the way, I think this is the most important  
15    aspect of what the SEC is doing. They're bringing efficiency  
16    to financial numbers, and efficiency is essential for America  
17    to keep its lead in world economics. And this is a big area  
18    that efficiency must come to. When I speak about these  
19    things for the last seven or eight years, I've almost become  
20    like an evangelist, it's not hard to understand what's  
21    happening here.

22            If you bought a shotgun in the 1700s, every part of  
23    that shotgun would be hand-tooled. And if one of those parts  
24    broke, you'd have to take it back to the gunsmith, and he  
25    would hand tool that part, fit it into the shotgun. It would

1 take some time, and then the shotgun would work again.

2 Well, the Industrial Revolution came along, and  
3 they standardized the parts. So you can buy a shotgun now  
4 for 150 bucks. A part breaks, you send away, three or four  
5 days at most, you get a part for three or four dollars, you  
6 put it in, and it works.

7 We have not standardized the presentation of  
8 numbers, not only in the financial area, but across --  
9 numbers across the world. Once we do this, you will be able  
10 to -- it may take some time, but the search engines -- and  
11 we're into the search engine business. In fact, we have a  
12 patent on one -- you'll be able to type into a number search  
13 engine, give me every car company that sold more than \$5  
14 billion worth of cars last year, \$2 billion, or whatever a  
15 reasonable number is. It'll go out, and if these numbers are  
16 posted on the Italian stock exchange, it'll look at them and  
17 say, oh, this is in euros or this is in lira. Automatically  
18 converted, and say does this satisfy the search or not  
19 satisfy the search? If it does, it will report the language  
20 back to you.

21 This demonstration is executive comp, and it's sexy  
22 because it's a big area and it's I think also is nice because  
23 it shows how this process can be helped by XML-based  
24 languages.

25 The use of interactive data is much more prevalent

1 in Europe for financial reasons than it is in the United  
2 States. We are selling more product in Europe than we are  
3 selling anywhere in the United States. Now there are some  
4 companies in the United States like CVS, the drug store  
5 company, Baker Hughes, they report data. One of them reports  
6 financial data in interactive data, they put it on their  
7 website. Baker Hughes reports oil rig data.

8 In Europe, British Petroleum reports environmental  
9 numbers in data, of what they're doing in the environmental  
10 area. The Italian stock exchange, while not requiring  
11 interactive data, it is very much encouraging companies to  
12 use interactive data.

13 MS. SAVAGE: Bill, let me ask you a quick question  
14 while we set up for the next presentation. This is very  
15 important. You made a big point about how it doesn't make  
16 sense to send the data that you can get that's reported back  
17 into Excel spreadsheets.

18 We'll let Darren get teed up there.

19 So you have a software company, and obviously  
20 that's a business. I hope I'm not embarrassing you, but  
21 obviously, you're in the business to make money creating the  
22 software. So, if people are not going to take it back to  
23 something everybody has because it came with their computer,  
24 which is Excel, are people going to have to pay to have  
25 access to the kind of software that you or competitors will

1     develop that will go, we specialize in executive comp? I  
2     mean, where will Towers Perrin be when everybody has this?

3             MR. DIEFENDERFER: Well, that's a good question.

4             MS. SAVAGE: Come on over here. I'll tell you  
5     what. Why don't you answer from back here, and then we can  
6     get the other program set up?

7             MR. DIEFENDERFER: Okay.

8             MS. SAVAGE: But that's a really -- yeah, I think  
9     we need some applause for that.

10            (Applause.)

11            MS. SAVAGE: But the question is, as a business  
12    model, if everybody has access to it, it's one thing to take  
13    the data that's in the SEC website. It's free, and it's  
14    public, and manipulate it with your own. Now you've got  
15    programs that companies like yours are making. Will that be  
16    free, or will you be the next -- will you replace the Towers  
17    Perrins and the Hewitts, for instance?

18            MR. DIEFENDERFER: Nothing is free. Even free  
19    things cost money. That's my experience. The answer is  
20    this. Towers Perrin charged -- well, we shouldn't pick  
21    names. Executive comp experts charge money to put this data  
22    into a format. The data is the best possible thing. But the  
23    format they present it in is not the best possible thing.  
24    They present it in generally pieces of paper, based on Excel  
25    spreadsheets. They'll produce graphs for that.

1                   MS. SAVAGE: So this will change how? Just give me  
2 a quick --

3                   MR. DIEFENDERFER: This will change, because what  
4 you'll put in front of the comp committee now is what you  
5 just saw, and it will allow every comp committee member to go  
6 in and roam around and say I want to test this idea, this  
7 idea with the data.

8                   MS. SAVAGE: Fabulous.

9                   MR. DIEFENDERFER: And by the way, I'm not damning  
10 Excel spreadsheets. They're absolutely essential to the next  
11 step. But I'm only making an observation that XML is  
12 preferable to them. It's gold. The others are silver. I  
13 won't say lead.

14                  MS. SAVAGE: You know, there's a lot of information  
15 out there, and there are already information companies that  
16 specialize in presenting it for different uses to different  
17 people and actually making money off of it. And one of the  
18 largest companies that really does that is Lipper.

19                  And Darren Duffy, Vice President and Global Head of  
20 Production at Lipper, specializes in creating all this  
21 information so investors can analyze mutual funds. And  
22 Lipper is part of Reuters Group, which is also a huge  
23 publisher of financial data.

24                  And I said this to back as we were getting set up,  
25 this is I think a big question here. Does this mean

1 investors don't need Lipper, or does this mean you're more  
2 valuable because you don't have to employ all these people to  
3 punch stuff into your spreadsheets?

4 MR. DUFFY: Yeah. I mean, it's a great point that  
5 you make. Really, our resources get spent in two areas.  
6 One, it's all the research methodology that we create, and  
7 then it's also the data acquisition. If we can reduce the  
8 burden of the data acquisition, so much more of our resources  
9 can go into creating research methodology, and then that  
10 eventually translates into benefit for the investors.

11 And that's one of the things that I'm going to try  
12 and illustrate today. I'm going to be showing an application  
13 that we've created for the retail market. This application  
14 at the moment is not powered by XBRL data, and I'll comment  
15 on that in a second. But the reason I'm showing this  
16 application is to show how you can make the connection from  
17 data into investor benefit.

18 And just as a matter of background, though Terry  
19 gave a great introduction to Lipper, I just want to provide  
20 some information. Lipper was founded back in the seventies,  
21 and over the years, we've evolved into a company that's doing  
22 research on collective investment schemes worldwide. So at  
23 the moment, we cover more than 140,000 collective investment  
24 schemes, so, open-end funds, closed-end funds, exchange-  
25 traded funds, hedge funds, et cetera, around the world.



1                   Interestingly enough, that number has increased by  
2   about 30 percent over the past two years. Actually, I'm  
3   sorry, almost 40 percent over the past two years. And we do  
4   this from 16 financial centers around the world. So we're  
5   connected to the local markets. But one of the most  
6   important things about Lipper is that being part of Reuters,  
7   we are bound by the Reuters trust principles. This means  
8   that we're not allowed to give investment advice, nor are we  
9   allowed to manage money, and this contributes to the unbiased  
10  characteristic of our research.

11                  And our research is really based on a very simple  
12  premise. And that is, in terms of fund investing, one size  
13  does not fit all. Investors are unique individuals.  
14  Investors are at different stages in their life. They have  
15  different economic needs. They have different goals. So to  
16  that end, we have devised the Lipper Leaders system or the  
17  Lipper Leaders methodology, which helps investors find funds  
18  that fit their unique situations.

19                  So for every fund, we're able to evaluate it on  
20  five different measures. We're able to look at total return.  
21  What has the fund generated over a certain period of time?  
22  Consistent return. How consistently are they generating  
23  income? Preservation of capital. If I invest money in this  
24  fund, is it going to be there in five years? Tax efficiency.  
25  What kind of liabilities are being created by the

1 transactions that this fund is engaged in? And expenses.

2 So, how efficient is a fund in terms of operating?

3 And the application I am going to show you is the  
4 Lipper Fund Screener, which is available on Reuters.com. And  
5 with the Fund Screener, there are scores of different data  
6 elements that an investor can filter through to find funds.  
7 But in the interest of time, I'm going to keep it very simple  
8 and just really look at two categories.

9 So we have our theoretical investor who is looking  
10 to put aside some money and have that money grow over the  
11 next several years. Maybe this investor is looking to buy  
12 some real estate in the future, or this investor is putting  
13 children through college down the road. So, this investor is  
14 probably going to invest in a large cap growth fund, and  
15 they're going to put their money in this fund for several  
16 years.

17 But there are two things that our particular  
18 investor, or theoretical investor, considers very important.  
19 That is consistent return. They don't want to see seesaw  
20 returns. They want to put their money into this fund, and  
21 over time, have it generate nice, steady returns.

22 They're also very concerned about fund expenses.  
23 They don't want to have their investment eroded or their  
24 returns eroded by very high fund expenses. So our investor  
25 is looking for two things. They want funds that are a Lipper

1 Leader in terms of consistent return, and a Lipper Leader in  
2 terms of expenses. So they're able to filter on these  
3 criteria using the Lipper Fund Screener on Reuters.com, and  
4 they'll have a series of funds that are produced as results.

5 And I just have an abbreviated list of funds here.  
6 One is T. Rowe Price growth stock fund, another one is the  
7 Columbia Marsico focused equities fund, and then we have  
8 the --

9 MS. SAVAGE: Are these using interactive data  
10 already that exist? Is that the point of this?

11 MR. DUFFY: This is not. And I'm going to address  
12 that in one second and talk about the impact that interactive  
13 data would have here.

14 So there's one fund in particular here, the last  
15 one on the list, the Columbia Marsico growth fund, that's of  
16 interest to me. It meets my criteria for return. It's a  
17 Lipper Leader in those categories. It also meets my criteria  
18 for expense. It's a Lipper Leader in the expense area,  
19 meaning it has, relative to its peers, particularly low  
20 expenses.

21 An added bonus is it's also very efficient in terms  
22 of tax liabilities, and it actually has a particularly good  
23 rating for preservation of capital. So I've identified a  
24 fund here that is of interest to me.

25 Being a potential investor, I want to learn more

1 about this fund so I can drill down into that Columbia  
2 Marsico growth fund, get some information about the  
3 performance of this fund. So if I look at the top part of  
4 the screen, I see that if I invested \$10,000 eight years ago,  
5 that would now be worth just over \$18,000. Pretty good.  
6 It's certainly what I want to happen with my money.

7 I can also compare this fund to its classification.  
8 I see on that same measure, it outperformed other large cap  
9 funds, and it also outperformed the S&P 500. So I'm starting  
10 to like this fund. It meets my criteria. It seems to have a  
11 good track record of performance.

12 If I look at the lower portion of the screen, I see  
13 the Lipper Peer Screener. What this tells me is how this  
14 fund has performed relative to its peers in terms of both  
15 risk and return. So I see that this specific fund has had a  
16 9 percent annual return. It's in the 37th percentile in  
17 terms of risk. So on a relative basis, it has good return  
18 with a moderate amount of risk.

19 From this chart, I can see how the fund maps in  
20 terms of performance in its peer group as well as in the  
21 equity fund market overall.

22 So why am I showing you this application?

23 MS. SAVAGE: Absolutely. How is the world going to  
24 change now?

25 MR. DUFFY: Exactly. Why am I showing you this

1 application? Well, it's not to help you invest better in  
2 mutual funds, though you're welcome to go to Reuters.com and  
3 use this application, which is free of charge.

4           The reason I'm showing you this is, this is an  
5 application that we've created for the retail market. Most  
6 of our business takes place in the institutional market. We  
7 provide products for those institutions which manage probably  
8 90 to 95 percent of the assets that are under management  
9 worldwide.

10           Gathering all that information is a particularly  
11 laborious, particularly expensive endeavor that we go  
12 through. A byproduct of that is that we have all this  
13 content that we're then able to use for our retail  
14 application, and we're able to do at no charge to the retail  
15 investors. That's very difficult for someone to just come  
16 into the market and create an application for retail  
17 investors. The cost for doing so, the cost for gathering all  
18 this information and managing all this content is very  
19 expensive. It's cost prohibitive in many cases, which is why  
20 we don't see a lot of real high powered applications for  
21 retail investors.

22           With the introduction of interactive data, one of  
23 those barriers goes away. And really -- that's what I'd like  
24 to talk about, really the magic happens when we create this  
25 link between interactive data and investor benefit.

1           So, having interactive data, having effective ways  
2   to mine that information, will reduce the costs for acquiring  
3   the data. With fewer barriers, it'll make it much easier for  
4   application providers to enter the market, and when these  
5   application providers are creating products for the retail  
6   investors, these applications come on the scene, that's when  
7   the investors benefit.

8           Just before the sessions, we were talking about an  
9   analogy. It's almost as if you're a chef and you're going  
10  from the point where you no longer have to go out and harvest  
11  all of your own vegetables and chop all of your own  
12  vegetables and so on. If all that's being done for you, you  
13  get to focus your efforts on the magic, whether that be, in  
14  the case of the chef, what happens in the saute then, or in  
15  our case, all the methodology and all the research that goes  
16  into it.

17          At Lipper and at Reuters, we are very big fans of  
18  the SEC's efforts. We applaud the investment in the  
19  technology. We applaud the support of XBRL in general, and  
20  it's something that we'd love to see to continue in the  
21  future.

22          MS. SAVAGE: I can see where that's going to be a  
23  big boon to individual investors. Let me quickly introduce  
24  some of the panelists that you haven't heard from, and I'll  
25  start by asking each one a quick question. Thank you very,

1     very much for that.

2                     (Applause.)

3                     MS. SAVAGE:  It's just -- I think our  
4     demonstrations have shown the breadth of uses for this  
5     interactive data, some of which people are trying to do,  
6     which I guess will be a lot easier when every company files  
7     its information in XBRL.

8                     I'm going to go a little bit out of order.  Tim  
9     Bray, raise your hand.  Tim Bray is the Director of Web  
10    Technologies at Sun Microsystems, and you heard him referred  
11    to before.  He's the co-inventor of XML, which is the parent  
12    I guess we're talking about.  We've set this up as a family  
13    now.  And he also co-founded Open Text Corporation in 1989.

14                    Could you just take us back?  I'm not sure  
15    everybody understands how XML came about.  And did you ever  
16    foresee that it would get used for something like this?  Is  
17    that what the genesis was?

18                    MR. BRAY:  Well, no.  And there's a lesson for that  
19    in XBRL.  Whenever you invent a general purpose technology,  
20    you always end up being surprised by what it's going to be  
21    used for.  And, you know, at Sun, where I work, there's a  
22    famous saying, "Innovation happens elsewhere."  Wherever you  
23    work, there's more smart people out there than there are  
24    where you're working.  And that's why I think it's really  
25    important for the success of XBRL to expose it to the world,

1 to get input from the huge communities out there.

2 I'm sort of here as a representative of the West  
3 Coast, open source, Web 2.0 Mashup generation, and I think  
4 there's absolutely astounding potential for that community to  
5 get hold of this and build magical things that none of us  
6 could possibly predict. And I totally salute Chairman Cox  
7 for having placed the software development on an open source  
8 basis, because that will empower that community to take this  
9 and run with it.

10 MS. SAVAGE: It takes a leader like that. It takes  
11 someone setting up the taxonomy, and also making that whole  
12 database, kind of forcing that database to exist?

13 MR. BRAY: Metcalfe's law is at work, and that's  
14 the law that says the value of a network is approximately  
15 equal to the square of its size. So, having high quality  
16 interactive data on a hundred companies is not ten times as  
17 valuable as having it on ten companies. It's a lot more  
18 valuable than that, because it opens the door to all sorts of  
19 comparative analysis.

20 So we need to, you know, get it out there in front  
21 of the people, give the tools to the investors, unleash the  
22 creativity of the open source community, and the world will  
23 change in ways that none of us could begin to predict, and  
24 that's good. That's what you want to happen.

25 MS. SAVAGE: It's amazing to be here at the



1 beginning of it. Now someone who really was at the beginning  
2 is sitting to your right, and that's Alfred Berkeley, who is  
3 Chairman and CEO of Pipeline Trading Systems, a block trading  
4 company, but really is part of this, because way back in the  
5 ancient days of, what, 2002?

6 MR. BERKELEY: Right.

7 MS. SAVAGE: When you were president of NASDAQ, you  
8 created the first real active test of this kind of  
9 interactive data. Can you tell us a little bit --

10 MR. BERKELEY: Yeah. Let me share that with you a  
11 little bit. Because we understood immediately for a series  
12 of business problems at NASDAQ that I'll describe, that we  
13 needed to change the economics of information about  
14 companies. And XBRL offered a way to do that.

15 We got involved with Microsoft specifically when  
16 Bill Gates put Rob Blake on the job to help us understand the  
17 potential of XBRL, and PriceWaterhouseCoopers, Microsoft and  
18 PriceWaterhouse donated in-kind services. And my guess, it  
19 was probably a million dollars worth of in-kind services  
20 together.

21 And NASDAQ hosted and kind of corralled 20  
22 semiconductor companies to be our first guinea pigs. And  
23 PriceWaterhouse, Mike Willis's team, put the XBRL tags on the  
24 semiconductor data, and Rob Blake, who you heard from,  
25 developed the XML -- the Excel spreadsheets with the XBRL

1 tags, and we allowed people to download it from our website.

2           The magic -- and you really said it right -- the  
3 magic of comparative data instantly available just sprung  
4 from that pilot. And I was really very enthusiastic about  
5 it, and I wrote Chairman Cox an e-mail a week or so ago  
6 saying that I think that what this has the potential to do is  
7 every bit as dramatic in terms of expanding the market,  
8 democratizing the market, as the original '33 Act did.

9           Now why am I saying that? Because the '33 Act said  
10 companies had to tell the public something about their  
11 business. We never think about it, but there used to be,  
12 before the SEC got involved, companies had really no  
13 obligation to tell their shareholders anything. There were  
14 some rules at the exchange level for some exchanges, but  
15 there were 33 exchanges in the United States. So I think  
16 this is an extraordinarily powerful step.

17           I also, just for one more dimension of this, the  
18 reason we were so interested in NASDAQ was that we understood  
19 that the coming of decimalizations was going to break the  
20 economic link between the brokerage firms' ability to develop  
21 research, and their ability to pay for it. So that the  
22 research analyst pool was going to shrink, and indeed, that's  
23 happened.

24           And so, from the other perspective, from the  
25 capital formation perspective, these XBRL implementations are

1 going to allow small companies that may not on the basis of  
2 their trading volume justify a formal intermediary analyst to  
3 look at them. They're going to be able to get their own data  
4 out, and investors are going to find those good companies  
5 simply by doing the kind of growth rate searches that Bill  
6 was talking about earlier.

7               So I think that both on the capital formation side,  
8 this is an extraordinarily important forward step, which was  
9 the real monetary reason I was looking at it in NASDAQ, and  
10 particularly for the individual investor being able to get  
11 data that because of the pricing of data, because of the  
12 exquisite problem of pricing data, really requires data to be  
13 priced out of reach of most individual investors now.

14              I'll give you an example of this problem of pricing  
15 data. At NASDAQ, we made about a third of our revenues on  
16 real time quotes, and real time information, accurate prices  
17 are extremely valuable. But we only owned them for 15  
18 minutes, because they were stale after that, and they went  
19 into the public domain, and they do today go into the public  
20 domain. The New York quotes go into the public domain in 20  
21 minutes.

22              So I mention that it's not a direct analog to  
23 corporate data, which has a longer life to it, but it gives a  
24 good example of how difficult it is to price data, and  
25 certainly Lipper runs into this every day, where the value

1     that they have for the professional is much higher, and they  
2     don't want to erode their pricing model by making that same  
3     data available at a much lower cost.

4             We couldn't do it at NASDAQ, and now XBRL will let  
5     individuals find the data they need at a price that works for  
6     them. And other professionals can add more value to it  
7     through the analytics, and still charge for the value they  
8     create. So --

9             MS. SAVAGE: Uh-huh. That's a really good point.  
10    The data's there, but the analytics that work with it. Okay.  
11    That gives me a perfect segue.

12            Now we've been talking about the gathering and the  
13    uses of the data, and then we talked about the beginning of  
14    it and why it becomes so valuable as information and what you  
15    can do with it. But -- we're going to come back to the  
16    retail people, Darren and Mark. But we have two professors  
17    here, and they are known for their research. And they are, I  
18    think, pretty excited would be an understatement, about the  
19    opportunities that XBRL offers.

20            Martijn Cremers is a Professor of Finance at the  
21    Yale School of Management. And I think a lot of you have  
22    been reading the media reports about his research on the  
23    relationship between actively managed mutual funds and  
24    performance, depending on how closely or how not closely they  
25    track the relevant benchmark indexes. And, so, that was --

1 did I summarize that all right?

2 MR. CREMERS: Absolutely.

3 MS. SAVAGE: All right. Martijn, what happens when  
4 XBRL enters the field? What happens to the kind of research  
5 you do?

6 MR. CREMERS: So after the Wall Street article  
7 about my research was published, I got many e-mails from all  
8 kinds of people asking me about their particular funds. I  
9 had to disappoint them, because as an academic, this data is  
10 very labor-intensive to work with, and our academic  
11 databases, you know, they stop a couple of years ago, and  
12 then every year, you know, we get them from the previous  
13 year.

14 So to get up-to-date information is simply  
15 impossible. And I think the new interactive data will make  
16 -- it would be much easier to have up-to-date information  
17 about all the holdings of all the mutual funds out there and  
18 provide this information.

19 MS. SAVAGE: So this is really the democratization  
20 of information, which will have profound repercussions. When  
21 you start doing research at the level you've done it where it  
22 attracts attention from all over, and nobody came up with  
23 that idea for research before, will that encourage more  
24 research of the kinds of things you're doing?

25 MR. CREMERS: I would hope so. I mean, our message

1 is really simple, right. Actually all it does is compares  
2 the holdings of a particular mutual fund with let's say high  
3 fees, to the holdings of really low-fee index funds. And our  
4 basic observation is that if the holdings are very similar,  
5 then why would you pay the high fee for that fund?

6 On a more positive note, if the holdings were very  
7 different from all the others, then this fund is actually  
8 really doing active investment, and we actually found that  
9 many of those funds actually provide value to investors. So  
10 a regular investor would really like to know are the holdings  
11 of my fund, are they very similar to other funds that I can  
12 get at really low fees?

13 Right now, it's simply impossible for the average  
14 investor to even get to that. Each fund, you know, have  
15 holds, hundreds of, maybe even thousands of different stocks  
16 in their portfolio, and how are you going to do, you know,  
17 how are you going to analyze that yourself?

18 I think interactive data can level the playing  
19 field and make it easier to get software that actually does  
20 that.

21 MS. SAVAGE: Level the playing field. That's quite  
22 obvious. Okay. Let me just move, to your left is Frank  
23 Hodge, Professor of Accounting at the University of  
24 Washington Business School. And you have been researching  
25 how -- this really brings it down to a point -- how

1 individual investors would use or do use the data they can  
2 get that's interactive data. What do you find?

3 MR. HODGE: Back in 2004, we started this research  
4 stream, and we were looking at some of the benefits that  
5 would accrue to nonprofessional financial report users. And  
6 as Rob asked Mark to do, he basically wanted to run a race.  
7 Could you find information more quickly using a computer?  
8 And of course, he did.

9 We wanted to go beyond that and see if using XBRL-  
10 coded data in an XBRL-enabled search engine allowed  
11 nonprofessional investors to acquire and integrate  
12 information more thoroughly than if they didn't have that  
13 information.

14 So we conducted a study where we asked individuals  
15 to compare two firms. Some of the individuals had what is in  
16 existence today, PDF-based documents, and others had an XBRL-  
17 enabled search engine that they could use to go through the  
18 information. And what we found is that the people who used  
19 the search engine were better at acquiring information from  
20 the financial filings and better at integrating that  
21 information when they made investment decisions.

22 MS. SAVAGE: Now if they could only -- XBRL could  
23 only teach them self-discipline, we'd have a generation of  
24 terrific investors, because they have the knowledge.

25 MR. HODGE: Well, it can't -- we don't show whether

1     they make effective decisions or not, but at least they're  
2     more efficient at making those decisions.

3             MS. SAVAGE: Well, let's bring this back full  
4     circle. I want to come back to, Mark. I know that's not  
5     fair to ask you. You just started out at Microsoft MSN  
6     Money. But when you hear about -- you've been talking about  
7     this for a long time. I think that's really part of the  
8     reason why they wanted you so badly. So what -- how does --  
9     where does this meet the -- not the rubber meet the road.  
10    Where does this meet the keyboard and the mouse? What will  
11    happen now, do you predict?

12            MR. SCHNITZER: Well, the answer is fairly  
13    straightforward. Interactive data is going to enable MSN to  
14    provide investors with the ability to make better informed  
15    investment decisions than they can currently make using the  
16    electronic filings they have today.

17            MS. SAVAGE: Now is there going to be a race to go  
18    back -- Rob, is there going to be a race? You just  
19    demonstrated some really -- can I say sexy stuff at an SEC  
20    hearing? I mean, that was terrific, I think, in the sense of  
21    not endorsing a product, but endorsing the concept, that it  
22    was very visible to see what you can do with the numbers.  
23    You're going to demand the numbers be there.

24            Now we need companies to develop software. Darren,  
25    you're coming up with things like that. What will it take to



1 get more companies -- and I think some people out there are  
2 those companies -- to develop kinds of uses for this data,  
3 new uses, stuff we haven't thought of?

4 MR. DUFFY: Well, I mean, on the software side, I  
5 mean, last Monday's news obviously had a big impact that  
6 we're only just starting to see around the software  
7 community. If it wasn't already on someone's radar, it  
8 absolutely is now. And I think what you're seeing is, you'll  
9 see a generational walk through this.

10 You know, we started off four years ago, and it was  
11 very difficult to create XBRL, and the software community  
12 responded to that. And then the accountants and finance  
13 professionals said we can't view it very well, so could you  
14 help me view it a bit easier? And now we're to this analytic  
15 threshold, this thing where we're going to have lots of data  
16 out there.

17 So my point is, way back in the early days of XBRL,  
18 we talked about, and I think, Tim, you mentioned this, you  
19 know, the concept of time of XBRL. It's only been around  
20 seven years, and how far we've come in seven years. It's  
21 good, but, again, it's only the start. And the software  
22 community needs to be responsible for being -- taking a  
23 leadership position to help corporate America and  
24 corporations across the world to make this easy and simple,  
25 and you don't have to understand the technology.

1           It's like the plumbing in a house. Where this  
2 needs to go from a software standpoint is, I don't know about  
3 you, Terry, when you bought your house, did you ask if you  
4 wanted to see the plumbing?

5           MS. SAVAGE: Uh-uh. And when I see them drive my  
6 car, I have no idea what's under the hood or really, frankly,  
7 what's in my computer. But I like to know what I can do with  
8 it.

9           MR. DUFFY: Right. And that's what XBRL, the  
10 software community will face out functionality that makes  
11 this easy. There very well could be a day in the near future  
12 we're not even -- we look at XBRL as like a funny story. But  
13 under the covers, the piping, the engine in your car, it's  
14 XBRL. It's interactive data. That's where the software  
15 community will help take this.

16          MS. SAVAGE: Yeah, Al?

17          MR. BERKELEY: I think you've got a really  
18 wonderful situation for new start-ups and people answering  
19 the real needs that exist on the demand side. And there are  
20 low barriers to entry to get started in XBRL, so that you're  
21 going to see a proliferation of companies both in the open  
22 source mode, and also in more like the Red Hat Linux mode,  
23 where you've got a for-profit company offering certainty and  
24 guarantees and service around open source products.

25          MS. SAVAGE: So there is a profit motive in there

1     for some applications, but the idea of it being open source  
2     means that the real big applications probably will compete to  
3     be offered free to investors.

4             MR. BRAY: Well, it's a funny domain, because we're  
5     after all talking about the finance industry, where the  
6     amount of money flowing through, you know, the software money  
7     is static, right? So it's hard to imagine there being much  
8     money in selling the software when the money that is to be  
9     made by executing the activity that the software drives is so  
10    much larger.

11            So I suspect that the real business -- the  
12    businesses are finance businesses, not software businesses.

13            MS. SAVAGE: Okay. That's interesting. There  
14    won't be walls. There won't be monopolies. It'll just be  
15    the language people speak, and the profits will be derived  
16    from the active use of that information. Is that? Yeah.

17            Can I -- Chairman Cox, I don't know. Nobody told  
18    me I could put you on the spot, but can I ask you a couple  
19    questions?

20            CHAIRMAN COX: Please do, yes.

21            MS. SAVAGE: If I'm in trouble, you'll let me know.  
22    Right now it's kind of a voluntary -- providing your  
23    information in interactive data form -- see, I've stopped  
24    using that word, XBRL. But is there a plan, a timetable for  
25    companies to be fully providing this once you get your

1 taxonomy dictionary done and your categories?

2 CHAIRMAN COX: Yes, and it is sooner than later.

3 The last roundtable that we had on this topic had as one of  
4 its important takeaways, if you build it, we will come. That  
5 message coming from software developers. But it's pretty  
6 clear from what we've discussed today that if the raw  
7 material, the company's financial information, isn't out  
8 there first, then having these fabulous software tools that  
9 could manipulate it if only it were there, wouldn't amount to  
10 much.

11 So, what the SEC can do is make sure that that  
12 company information is in fact available out there, the  
13 building blocks of these wonderful cathedrals that people  
14 might build on their own with all the software tools that are  
15 yet to be invented.

16 As we've seen, and as we heard from Indra's  
17 comments, other countries are happy to mandate this. We in  
18 the SEC surely would look at that, and are looking at that  
19 and thinking about it. But it would be unfair or would have  
20 been unfair heretofore to require companies to file if the  
21 taxonomies aren't yet complete.

22 So, one of the things that was important about our  
23 announcement last week is that the SEC itself is going to  
24 finance the completion of this taxonomy writing, of the  
25 computer label writing, so that that's all behind us and

1     there's no longer any reason that companies couldn't go  
2     forward and do this.

3                 We're also gaining a lot of real word experience,  
4     some of it provided by PepsiCo today. I haven't heard what  
5     their numbers are, but when a company as big as PepsiCo is  
6     telling you \$5,000 and then subsequently hundreds of dollars,  
7     there aren't any real barriers here to the adoption of this.

8                 So I think we're very, very quickly going to get to  
9     a point where the SEC could, if it chose to do so, mandate  
10    this, and whether or not we chose to do so, the benefits to  
11    filers are going to be so great, that if we'll simply drop  
12    the requirement that they file it the old way, they can  
13    immediately save money by doing it the new way.

14                MS. SAVAGE: That's an interesting incentive for  
15    companies. Typically when government promulgates  
16    regulations, they cost more. And that was a very telling  
17    comment. The first year, maybe \$5,000 including labor and so  
18    forth, then dropping down to practically negligible cost the  
19    next year.

20                At what point does this change the kind of  
21    information companies are required to report? I.e., the  
22    forms.

23                At what point does this become seamless or  
24    continuous? Or will there always be quarterly numbers,  
25    deadlines and so forth, even though you may search for the

1 information without knowing the form?

2 CHAIRMAN COX: Well, I think I can see much further  
3 into the future here than I will have time as Chairman of the  
4 Securities and Exchange Commission to preside over the  
5 change. But it is very easy to imagine a future in which  
6 there aren't forms.

7 The form concept was adopted in 1934 when the SEC  
8 first adopted a registration statement for the issuance of  
9 securities, and we've had that method in our DNA ever since.  
10 As we've discussed here today, the numbers are locked inside  
11 the forms. So when you go onto EDGAR to search for things,  
12 it helps to know what form the number was filed in in the  
13 first place, so you know where to look. And you might have  
14 to go through a lot of those in order to ultimately  
15 accumulate the data that you need to accomplish your task.  
16 We can wash all of that away.

17 Internally for the Securities and Exchange  
18 Commission, if it were convenient to come up with a new Form  
19 107TQ, we could invent it on the fly, because the numbers  
20 would populate our new form in just the same way that you saw  
21 some of these demonstrations here today. So, from an  
22 analytical standpoint inside the agency, we'll be a lot  
23 better off in the future with this as well.

24 MS. SAVAGE: Okay. Before I turn it back over to  
25 you, we have such a marvelous panel, and it's obviously not

1 enough time and such great diversity of knowledge and  
2 experience. I'm going to ask each to go down the line, and  
3 I'm going to start with Rob at the end, and just give us one  
4 sentence or so about what the takeaway is for this audience  
5 about the future of interactive data for investors, for  
6 companies, and for the capital markets, as has been brought  
7 up.

8 MR. BLAKE: I think the exciting thing for me is  
9 the focus on the analytic efforts of interactive data is that  
10 logical next step, but the takeaway for me really is I think  
11 kind of wrapped up in the whole, if it's good enough for the  
12 SEC, isn't this good enough for me?

13 And what I'd like everybody to remember, XBRL as a  
14 technology was not just built for external reporting, that  
15 XBRL can handle any kind of financial information in a  
16 standardized format.

17 So my future is about XBRL inside companies,  
18 because I think that's the next step that we're going to see.

19 MS. SAVAGE: How fascinating. All right. Bill?

20 MR. DIEFENDERFER: Well, I would very much agree  
21 with Rob. I think, at least in my mind, the takeaway is XBRL  
22 is the tip of the spear, what will be a numbers web. You'll  
23 be able to gather, manipulate, analyze numbers as easily as  
24 you send e-mails now. You know, if you asked anybody in this  
25 audience in 1985 what HTML was, you would probably get a lot

1 of blank stares, at least you would have on my face. Now,  
2 it's assumed. That's the standard way to send text. This  
3 will be creating -- help create the standard way to send and  
4 share numbers.

5 MS. SAVAGE: Darren?

6 MR. DUFFY: Well, approaching this from the  
7 perspective of the individual investor, I'd have to say that  
8 it's a very simple formula: interactive data plus downstream  
9 applications will equal investor benefit.

10 MS. SAVAGE: Al?

11 MR. BERKELEY: Well, I think that the mirror image  
12 of the investor benefits, which are going to be enormous, not  
13 only is interactive data going to democratize investors'  
14 access to companies, but it's also going to democratize  
15 companies' access to investors. And I think that's generally  
16 overlooked in these discussions, but every bit as important.

17 MS. SAVAGE: Very profound. Tim?

18 MR. BRAY: I'd just like to perhaps, you know,  
19 since we've all been cheerleading frantically here, you know,  
20 raise one note of caution. The job isn't over yet, you know.  
21 Interactive data has a ways to go before it's really  
22 ubiquitous and realizes its potential. There's going to be a  
23 lot of evangelists on the tasks to be done, there's a lot of  
24 technology that has to be done. There's a lot of, you know,  
25 of meeting costs, meeting constraints that has to be done.



1                   But, you know, the future is bright, and, yeah, I  
2   agree that there are benefits for inside companies, but it  
3   seems to me that we are living in an investor-driven world  
4   which by and large works reasonably well, but could be made  
5   to work a whole lot better. And this is an essential tool in  
6   getting there.

7                   MS. SAVAGE: Terrific. Professor Cremers?

8                   MR. CREMERS: I think the potential is great. At  
9   the risk of being greedy, I would hope that the interactive  
10  data will be very comprehensive, with all the different  
11  documents, everything will have to be interactive.

12                  I think for leveling the playing field, I think the  
13  most value will come if also those things which are most  
14  deeply buried and the companies are most reluctant to  
15  disclose, try to put in format different from the regular  
16  ones and put a side note to have all kinds of tricks to make  
17  it more difficult to access, making those interactive will, I  
18  think, provide the most value.

19                  MS. SAVAGE: So your next project is researching  
20  footnote comparisons.

21                  CHAIRMAN COX: I should say, if I may, that one of  
22  the benefits of the extra money that the SEC is kicking in to  
23  taxonomy development is that we will immediately within the  
24  next six months get to work not only on completing the  
25  taxonomies for the financial statements, but also the

1     footnotes and the MD&A.

2                   MS. SAVAGE:  Uh-huh.  Everybody applauds that.  
3     Professor Hodge?

4                   MR. HODGE:  Yeah, I have two takeaways.  The first  
5     one I'll illustrate with a finding from our study, and that  
6     is, we provided individuals with a search engine to use to go  
7     through this financial information.  Only 50 percent of them  
8     actually used it.  There was no cost.  This was --

9                   MS. SAVAGE:  It was something you made up of  
10    interactive --

11                  MR. HODGE:  Yes, it was a drop down menu they could  
12    use to extract the information from the filing.  With only 50  
13    percent using it, I think there's an educational process that  
14    has to take place.  And I commend Chairman Cox in starting  
15    that process, because I think he'll have to educate users on  
16    the benefits.

17                  And a second takeaway is that if you can educate  
18    them, then there are benefits that will accrue to users.  And  
19    we found that using an XBRL-enabled search engine helps them  
20    acquire and integrate information from a financial filing.

21                  MS. SAVAGE:  Hopeful.  And now the man who's going  
22    to get an opportunity to really put it all -- put the numbers  
23    onto the web.

24                  MR. SCHNITZER:  I have a couple of takeaways.  The  
25    first one is just to encourage all companies to follow the

1     lead that we've seen from companies such as PepsiCo, to  
2     seriously consider filing in the SEC's voluntary filing  
3     program. And this will provide two benefits. One is to make  
4     the program more successful, and number two is to really  
5     accelerate the feedback on the taxonomies and improve the  
6     quality of the taxonomies that are going to be created coming  
7     up.

8             And the second point is just to reiterate the fact  
9     that websites such as MSN are going to be able to provide a  
10    level of analysis for investors that we can only dream about  
11    today. And getting to the point that was made earlier, the  
12    potential that we're going to have with this access to  
13    granular financial information is going to lead to uses of  
14    the information in ways that we can't even think about today.

15            MS. SAVAGE: Well, we've done a great job of trying  
16    to, and I thank our panel, and I really do. You've all been  
17    just so helpful.

18            And now let me turn it back over to Chairman Cox.

19            (Applause.)

20            CHAIRMAN COX: Well, thank you, Terry, for  
21    volunteering to serve as our moderator today. You did a  
22    fabulous job, and we're very, very blessed to have your  
23    expertise as well as the expertise of all the members of our  
24    panel.

25            I learned a lot today. I think possibly even some

1 of the panel members learned something from the interaction  
2 from hearing everyone else here. So thank you to all of the  
3 members of our panel. Thanks to the SEC staff who are here  
4 today, and to the other interested members of the community  
5 here.

6 I think we've all gotten a better sense of the  
7 possibilities, and there's no question that our future is  
8 going to be very much improved if we're successful in this  
9 interactive data initiative.

10 We'll soon be scheduling the next interactive data  
11 roundtable in our series, and we'll learn from voluntary  
12 filers at that roundtable about their experiences in  
13 preparing interactive reports. We hope that you'll all join  
14 us again for what promises to be another informative  
15 discussion.

16 But thank you very much for what we've done here  
17 today, and have a great evening.

18 (Applause.)

19 (Whereupon, at 4:58 p.m., the SEC Interactive Data  
20 Roundtable ended.)

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## PROOFREADER'S CERTIFICATE

In the Matter of:     ROUNDTABLE ON INTERACTIVE DATA

File Number: 4-515

Date: Tuesday, October 3, 2006

Location: Washington, D.C.

This is to certify that I, Rosalie J. Gershon (the undersigned), do hereby swear and affirm that the attached proceedings before the U.S. Securities and Exchange Commission were held according to the record and that this is the original, complete, true and accurate transcript that has been compared to the reporting or recording accomplished at the hearing.

(Proofreader's Name)

(Date)

